

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4768-01
Bill No.: HB 1183
Subject: Insurance - General; Insurance Department; Sunshine Law; Meetings and Records
Type: Original
Date: March 6, 2014

Bill Summary: This proposal establishes the requirement for own risk and solvency assessments in connection with the business of insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Insurance Dedicated	(\$66,916)	(\$118,178)	(\$119,416)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$66,916)	(\$118,178)	(\$119,416)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Insurance Dedicated	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1	1	1

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** state that the own risk and solvency assessments (ORSA) filing will be quite complex and require expertise in risk management practices to properly evaluate the sufficiency of the filing. It is anticipated that 6 domestic insurance groups will have to file an ORSA directly with Missouri and 26 additional insurance groups will have to file with a lead state and be reviewed by Missouri.

This legislation will require one FTE (Financial Examiner III) to review and assess ORSA summary reports and the risk management framework of insurers. This will entail very technical analysis of this information which may vary by the nature and complexity of the insurer. Since this will be a highly specialized area, it will require very technical expertise. This person will also act as the primary coordinator with outside consultants used for technical assessment of actuarial stress testing, stochastic analyses and modeling and will be required to incorporate consultant's analysis and conclusions into the department's overall assessment.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (6 Mo.)	FY 2016	FY 2017
INSURANCE DEDICATED FUND			
<u>Costs - DIFP</u>			
Personal Service	(\$37,488)	(\$75,725)	(\$76,482)
Fringe Benefits	(\$19,120)	(\$38,624)	(\$39,010)
Equipment and Expenses	(\$10,308)	(\$3,829)	(\$3,924)
<u>Total Costs - DIFP</u>	<u>(\$66,916)</u>	<u>(\$118,178)</u>	<u>(\$119,416)</u>
FTE Change - DIFP	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$66,916)</u>	<u>(\$118,178)</u>	<u>(\$119,416)</u>
Estimated Net FTE Change on the Insurance Dedicated Fund	1 FTE	1 FTE	1 FTE

FISCAL IMPACT - Local Government

FY 2015
(6 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal enacts the model version of the own risk and solvency assessments (ORSA) legislation developed by the National Association of Insurance Commissioners. The purpose of the model legislation is to allow large- and medium-sized insurers to develop their own model of current and future financial risk and allow regulators to determine how insurers will react to financial stress.

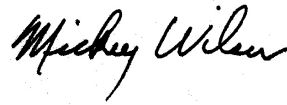
Insurers must file a report on solvency risk with the Director of the Department of Insurance, Financial Institutions and Professional Registration. The department director is to determine the deadline for the report. Insurers required to file the report are specified in the proposal, and the criteria for the report are specified in the proposal. Procedures for sharing information with the National Association of Insurance Commissioners and for maintaining records are also specified. The report cannot be a public record under Chapter 610, RSMo, the Open Meetings and Records Law, commonly known as the Sunshine Law, or subject to use in civil actions of any kind.

This proposal is effective January 1, 2015.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions
and Professional Registration

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 6, 2014

Ross Strobe
Assistant Director
March 6, 2014